REGULATION NO. 4 OF 2005

Andhra Pradesh Electricity Regulation Commission
(Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005

Amendment

1. First Amendment vide Regulation No. 1 of 2014, dated 07-03-2014
2. Second Amendment vide Regulation No. 4 of 2021, dated 02-12-2021
3. Third Amendment vide Regulation No. 2 of 2022, dated 29-04-2022
4. Fourth Amendment vide Regulation No. 2 of 2023, dated 29-03-2023
5. Fifth Amendment vide Regulation No. 1 of 2024, dated 09-02-2024
6. Sixth Amendment vide Regulation No. 2 of 2024, dated 09-02-2024
7. Seventh Amendment vide Regulation No. 9 of 2025, dated 08-12-2025
8. Eight Amendment vide Regulation No. 1 of 2026, dated 23-03-2026

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
(Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005

(Regulation No. 4 of 2005)

INTRODUCTION

Section 61 of the Electricity Act, 2003, provides that the Appropriate Commission shall, specify the terms and conditions for determination of tariff, while Section 62 of Act empowers the Commission to determine the tariffs, *inter alia*: for wheeling and retail sale of electricity and requires the Licensees to comply with such procedure as may be specified by the Commission for calculating the expected revenue from the tariff and charges which the Licensee is permitted to recover. The Commission formulated a draft Regulation specifying the Terms and Conditions for determination of Distribution Tariff including the procedure for calculating the expected revenue, published the same in A.P. Gazette on 29-09-2005 and issued a press release seeking comments / suggestions from all stakeholders and the public at large and also placed it on the website of the Commission. Comments / suggestions were received from 11 persons / organizations including all the 5 licensees (4 DISCOMs and APTRANSCO). The Commission considered all the comments / suggestions and has made modifications, as considered appropriate, allowing for determination of tariff for wheeling and the retail sale of electricity separately, modifying in the process, the nomenclature of the Regulation.

In exercise of powers conferred under clause (zd), (ze) and (zf) of Section 181 (2) read with Sections 61 and 62 of the Electricity Act 2003 (36 of 2003) and all other enabling powers in that behalf, the Andhra Pradesh Electricity Regulatory Commission hereby makes the following Regulation, namely:

PART – I
PRELIMINARY

1. **Short title, extent and commencement**

   (i) This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005.

(ii) This Regulation shall extend to the whole of Andhra Pradesh.

(iii) This Regulation shall come into force on the date of its publication in the Andhra Pradesh Gazette

2. **Definitions and interpretation**

i. In this Regulation, unless the context otherwise requires:

(a) “Act” means the Electricity Act, 2003 (36 of 2003);

(b) “Aggregate Revenue Requirement” (ARR) means the revenue required to meet the costs pertaining to the licensed business, for a financial year, which would be permitted to be recovered through tariffs and charges by the Commission.

(c) “Base Year” means the financial year immediately preceding the first year of the Control Period;

(d) “CERC” means the Central Electricity Regulatory Commission established under Section 76 of the Act;

(e) “Commission” means the Andhra Pradesh Electricity Regulatory Commission;

(f) “Conduct of Business Regulations” means the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations in force from time to time;

(g) “Consumer / User contributions” means any contributions made by those using or intending to use the Distribution network of a licensee for supply or wheeling of electricity. Any grant received by Licensees would also be treated as Consumer / User contribution.

(h) “Control Period” means a multi-year period fixed by the Commission from time to time, usually 5 years, for which the principles for determination of revenue requirement will be fixed, the first Control Period, however, being of the duration of 3 years;

(i) “Distribution Business” means the business of operating and maintaining a distribution system for supplying electricity in the area of supply of the Distribution Licensee in terms of the Distribution and Retail Supply Licence granted by the Commission;

(j) "Financial year" means the period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;

(k) "Licensees' Standards of Performance Regulation" means the A.P. Electricity Regulatory Commission (Licensees' Standards of Performance) Regulation, 2004 (Regulation No.7 of 2004).

(l) [1]"Non-tariff Income (NTI) means income relating to the licensed business other than from tariffs for wheeling and retail sale and excludes any income from other business and income on account of Fuel Surcharge Adjustment, Cross Subsidy Surcharge and Additional Surcharge minus Late Payment Surcharge (LPS) paid to Gencos/Transcos etc if any in the previous financial year, excluding interest burden arising due to delay in payment of subsidy by the Government".

(m) "Other Business" means any business engaged in by a Distribution Licensee under Section 51 of the Act for optimum utilization of the assets of such Distribution Licensee and shall include any business of the Distribution Licensee other than the licensed business;

(n) "Retail Supply Business" means the business of sale of electricity by a Licensee to consumers, in accordance with the terms of the Distribution and Retail Supply Licence;

(o) " Regulated Rate Base (RRB)" is the value of the gross fixed assets net of the consumer contributions and accumulated depreciation;

(p) "State" means the State of Andhra Pradesh.

(q) [2]"Charge Point Operator or CPO" means any individual/entity operating the Electrical Vehicle Charging Station."

[1] Sixth Amendment vide Regulation No.2 of 2024 dated 09-02-2024
[2] Seventh Amendment vide Regulation No. 9 of 2025 dated 08-12-2025

ii. Words and expressions used and not defined in this Regulation but defined in the Act shall have the meanings as assigned to them in the Act.

iii. All proceedings under this Regulation shall be governed by the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations.

3. **Extent of application**

3.1. This Regulation shall apply to all the Distribution Licensees in the State for a) Distribution Business and b) Retail Supply Business.

3.2. In accordance with the principles laid out in this Regulation, the Commission shall determine the Aggregate Revenue Requirement (ARR) for a) Distribution Business and b) Retail Supply Business.

3.3. The ARR determined for Distribution Business will be the basis for the fixation of the wheeling tariff/charges.

3.4. The ARR determined for Retail Supply Business will be the basis for the fixation of the Tariff/Charges for retail sale of electricity including surcharges.

PART – II

APPROACH, FRAMEWORK, PROCEDURES AND FILINGS

4. **Guidelines for Computing Aggregate Revenue Requirement:**

The Guidelines already issued by the Commission for computing the Aggregate Revenue Requirement / Expected Revenue from Charges (ARR / ERC) to the extent modified herein would continue to apply for the Distribution and the Retail Supply Businesses separately till such time as fresh Guidelines are issued.

5. [3]**Segregation of Accounts into Distribution and Retail Supply**

Till such time the Distribution Licensee provides details of costs on an actual basis for the Distribution Business and Retail Supply Business separately, the costs shall be distributed between the Distribution Business and Retail Supply

[3] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

Business as shown in the table below:

Particulars	Distribution / Wires Business (%)	Retail Supply Business (%)
Power Purchase Expenses	0%	100%
Intra-State, Inter-State Transmission & LDC Charges	0%	100%
Employee Expenses	60%	40%
Administration & General Expenses	30%	70%
Repair & Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest on Long-term Capital Loan	100%	0%
Interest on Working Capital	10%	90%
Interest on consumer security deposits	0%	100%
Bad Debts Written off	0%	100%
Income Tax	90%	10%
Contingency reserves, if any	100%	0%
Return on Equity/Business margin	90%	10%

6. [4]**"Filing Procedure, Issue of the Order, and Publication of Tariffs"**

6.1. Every Distribution Licensee shall file for each of its licensed business an application for approval of its Aggregate Revenue Requirement (ARR) for each year of the Control Period, not less than 120 days before the commencement of the first year of the Control Period. This filing shall be in such form and in such manner as specified and in accordance with the Guidelines issued by the Commission. The Distribution Licensees may file such applications for ARR of the first Control Period within a period not less than 90 days before the commencement of the Control Period.

6.2. [5]"The ARR filing for the Distribution Business shall be for the entire control period. For the Retail Supply Business, the ARR filing shall be preferably

[4] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024
[5] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

for the entire control period, and on an annual basis if permitted by the Commission."

6.3. [6]The Distribution Licensee shall, along with the ARR & FPT petition, submit a statement on the status of compliance with directives, if any, issued by the Commission in its previous tariff order.

6.4. On submission of a complete application accompanied by all requisite information and particulars, the distribution licensee shall, within 3 (three) working days of an intimation given to him, publish a notice in at least 1 (one) English daily newspaper in English language and 1 (one) Telugu daily newspaper in Telugu language having wide circulation in the area to which the application pertains, outlining the proposed ARR & tariffs, as the case may be, and such other matters as may be stipulated by the Commission, and invite suggestions and objections from the public:

Provided that the distribution licensee shall make available a hard copy of the complete application to any interested party, at such locations and at such rates as may be stipulated by the commission:

Provided further that the distribution licensee shall also place on its website, in downloadable spreadsheet format showing detailed computations, the application made to the Commission along with all regulatory filings, information and documents in the manner stipulated by the Commission:

Provide futher that the web link to the information mentioned in the second proviso above shall be easily accessible, archived for downloading and shall be prominently displayed on the distribution licensee's website.

Explanation - for the purpose of this Regulation, the term "downloadable spreadsheet format" shall mean one (or multiple, linked) spreadsheet software files containing all assumptions, formulae, calculations, software macros, and outputs forming the basis of the application.

[6] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

6.5. The Commission shall, within 120 (one hundred and twenty) days from receipt of a complete application for tariff determination and after considering all suggestions and objections received from the public:

a) issue a Tariff Order accepting the application with such modifications or such conditions as may be specified in that Order;
b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and Regulations made there under or the provisions of any other law for the time being in force:

Provided that the Distribution Licensee shall be provided a reasonable opportunity of being heard before rejecting its application.

6.6. The Distribution Licensee shall publish the tariff approved by the Commission in at least 1 (one) English daily newspaper in English language and 1 (one) Telugu daily newspaper in Telugu language having wide circulation in the area of supply and shall place the approved tariff/tariff schedule on its website and make available for sale, a booklet containing such tariff or tariffs, as the case may be, to any person on payment of reasonable charges.

6.7. The tariffs so published shall be in force from the date specified in the said Order and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. The licensee shall raise the bills for the electricity supplied or transmitted or services rendered to the consumers in accordance with the notified tariff.

6.8. No tariff determined and notified as above may be amended more frequently than once in any financial year except that tariff rates shall be adjusted in accordance with the Fuel and Power Purchase Cost Adjustment (FPPCA) notified in the latest amendments to the Principal Regulation.

7. **Filing for Proposed Tariff (FPT)**

7.1. The FPT for Distribution business and Retail Supply business shall be filed along with the respective ARR filings.

7.2. The application shall be made for determination of tariff for:

(a) Wheeling of electricity, i.e. Wheeling Charges to recover the ARR of Distribution Business

(b) Retail sale of electricity, i.e. Tariffs for Retail sale of electricity to recover the ARR of Retail Supply Business

7.3. **Distribution Business:-** The application for FPT shall contain the following

(a) The Distribution system or network usage forecast for each year of the Control Period consistent with the Resource Plan.

(b) Proposals for computation of tariffs for wheeling of electricity for each of the years of the Control Period, including the losses to be charged in kind and the procedure therefore.

(c) Proposals for Non-Tariff Income with item-wise description and details.

(d) Proposals in respect of income from Other Business.

(e) The proposed wheeling charges shall be voltage-wise. For the first Control Period, however, the Distribution Licensee may propose these charges computed on a normative basis.

(f) Expected Revenue from the proposed Wheeling Charges, Non-Tariff Income and Income from Other Business (es).

7.4. **Retail Supply of Electricity Business:-** The application for FPT shall contain the following

(a) Proposal for retail sale of electricity to the consumers pertaining to its retail supply business and the details may include tariffs for each consumer category, slab-wise and voltage-wise. The tariffs proposed may also include energy charges, fixed/demand charges and minimum charges.

(b) Proposals for Non-Tariff Income with item-wise description and details.

(c) [7]"Each Tariff Proposal submitted by the Distribution Licensee shall be supported with a cost of service model as approved by the Commission from time to time in the previous tariff orders for each category of the consumers."

(d) The Distribution Licensee shall furnish to the Commission such additional information, particulars, and documents as the Commission may require from time to time after such filing of revenue calculations and tariff proposals.

(e) The Commission may, from time to time, issue guidelines for the filing of statements of revenue calculations and tariff proposals, and unless waived by the Commission, the licensee shall follow such guidelines issued by the Commission."

8. **Disposal of Applications**

8.1. The Commission will process the Distribution Licensee's filings in accordance with this Regulation and its Conduct of Business Regulations.

8.2. Based on the Distribution Licensees' filings, objections/ suggestions from public and other stakeholders, the Commission may accept an application with such modifications and/or such conditions as may be deemed just and appropriate and issue, within 120 days of the receipt of the application (within 90 days in case of an application filed for the first Control Period in accordance with the provisions of clause 6.1), an Order containing *inter alia* targets for controllable items and the approved Aggregate Revenue Requirement for the Distribution Business and the ARR for the Retail Supply Business.

[7] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

9. **Resource plan**

9.1. The Distribution Licensee shall file for Commission's approval a Resource Plan on 1st April of the year preceding the first year of Control Period. The Resource Plan shall *inter alia*, contain the Sales Forecast, Load Forecast, Power Procurement Plan and a Distribution Plan (Capital Investment Plan) consistent with the requirements of the Commission's Guidelines on Load Forecast and Resource Plan (Distribution Plan and Power Procurement Plan) as amended from time to time:

Provided that the Resource Plan for the first Control Period may be filed along with the Multi-year filings for ARR of the first Control Period.

9.2. The Commission shall approve the Resource Plan as per the Guidelines on Load Forecast, Resource Plan (Distribution Plan and Power Procurement Plan) and the Distribution Licensee shall adopt them in the Multi-Year and Annual filings for the Control Period.

10. **Multi-Year Tariff framework and Approach**

10.1. The multi-year tariff framework shall be based on the following approach, for calculation of aggregate revenue requirement and expected revenue from tariff and charges.

10.2. Base Year:- Values for the Base Year of the Control Period will be determined based on the audited accounts available, best estimate for the relevant years and other factors considered appropriate by the Commission, and after applying the tests for determining the controllable or uncontrollable nature of various items. The Commission will normally not revisit the performance targets even if the targets are fixed on the basis of base values of un-audited accounts.

10.3. Targets: - Targets will be set for items that are deemed by the Commission as "controllable" which constitute operation & maintenance costs, financing costs, and for distribution losses duly adhering to the Licensees' Standards of Performance Regulation. Trajectory for specific variables may be stipulated by the Commission where the performance of the applicant is sought to be improved upon through incentives and disincentives;

10.4. Controllable and Uncontrollable items of ARR:- The expenditure of the Distribution Licensee considered as "controllable" and "uncontrollable" shall be as follows:

Distribution Business	
ARR Item	**"Controllable"/ "Uncontrollable"**
Operation & Maintenance expenses	Controllable
Return on Capital Employed	Controllable
Depreciation	Controllable
Taxes on Income	Uncontrollable
Non-Tariff income	Controllable
[8]Force Majeure	Uncontrollable
Change in law	Uncontrollable
AT&C losses	Controllable
Contingency reserves	Uncontrollable

In addition to the above items the retail supply business shall include the following:

Retail Supply Business	
ARR Item	**"Controllable"/Uncontrollable"**
Cost of Power Purchase	Uncontrollable
[8]Sale of Electricity to the Consumers	Uncontrollable
Revenue from Sale of Electricity to Consumers	Uncontrollable
Inter-state and Intra-state Transmission & Load Despatch Charges	Uncontrollable
Interest on Consumer Security Deposits	Uncontrollable
Taxes on Income	Uncontrollable
Bad debts	Controllable

[8] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

10.5. [9]**"Pass through of Gains/Losses due to variations in "uncontrollable" items of the ARR**: The Distribution Licensees shall present variations in each uncontrollable item with detailed reasoning. The aggregate gain/loss of the nth year in all uncontrollable items of Distribution and Retail Supply Businesses shall be pass-through in the ARR of the (n+2) year of Retail Supply Business in case the filings are done on an annual basis. If the filings of Retail Supply Business are done for the entire control period, the aggregate gain/loss in uncontrollable items shall be pass-through to consumers as a True-down/up in separate proceedings either based on the petition filed by the Licensees or on suo-motu determination by the Commission on an annual basis.

Provided that the Commission shall allow the financing costs on account of the time gap between the time when the true-up becomes due and when it is actually allowed. The licensees shall file True-up/down petitions of n_{th} year by 30th November of (n+1) year independently or along with ARR & FPT petition if permitted annually, and the Commission shall as far as possible issue the Order on the same within 120 days front he date of such filings.

10.6. [10]**Sharing of Gains /Losses on variations in "controllable" items of ARR:-** The Distribution licensees shall present variations in each controllable item with detailed reasoning. The aggregate gain/loss of the nth control period (Actuals of 4 years and provisional for 5th year) in controllable items of Distribution and Retail Supply Businesses shall be pass-through in the respective ARR of (n+1) control period of Distribution & Retail Supply Businesses at the appropriate ratio for each item as decided by the Commission. However, the Licensees shall submit the gains/losses in each controllable item of the Distribution Business for the previous financial year by 30th November of the current financial year through the annual performance petition or shall submit the gains/losses in each controllable item as a part of ARR filings of the Retail Supply Business for the next financial year if the filings are done on an annual basis. The gains/losses in the controllable items of ARR on account of factors that are beyond the control of the Distribution Licensees shall be a pass through to

[9] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024
[10] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

the consumers similar to the controllable items as stated in clause 10.5 above. "

PART III

PRINCIPLE FOR COMPUTATION OF AGGREGATE REVENUE REQUIREMENT

11. **Main items of ARR**

11.1. **(a) [11]ARR for Distribution Business:-** The ARR filings shall contain the following :

a. The Operation and Maintenance (O&M) costs which include employee-related costs, repair & maintenance costs and administrative & general costs, estimated for the Base Year and the year prior to the Base Year in complete detail, together with the forecast for each year of the Control Period based on the norms proposed by the Distribution Licensee including indexation and other appropriate mechanisms in terms of the principles enunciated in this Regulation for O&M cost allowance.

b. Regulated Rate Base (RRB) for the Base Year and each year of the Control Period which requires submission of the working capital requirement and a detailed scheme/project-wise Capital Investment Plan with a capitalisation schedule covering each year of the Control Period consistent with the Commission's approved Resource Plan.

c. A proposal for appropriate capital structure and its cost of financing (interest cost and return on equity) for the purpose of computing Weighted Average Cost of Capital.

d. Targets proposed for reduction of distribution losses during the Control Period duly adhering to the Licensees' Standards of Performance Regulation.

e. Details of depreciation, including Advance against depreciation if any required and capitalisation schedules for each year of the Control Period.

f. Description of external parameters proposed to be used for indexation;

[11] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

g. Details of taxes on income;

h. Any other relevant expenditure;

i. Proposals for sharing of gains and losses;

j. Proposals for efficiency parameter targets;

k. Proposals for rewarding efficiency in performance

l. Any other matters considered appropriate

m. [12]Contingency reserves, if any, on actual basis, and as admissible

11.2. [13]The Aggregate Revenue Requirement (ARR) of the Retail Supply Business shall contain the following:

A. Network and LDC costs:

i. Intra-State Transmission Cost
ii. Intra State LDC cost
iii. Inter-State Transmission cost
iv. Regional/NLDC cost
v. Distribution Cost (As per clause 5 & 11.1)

B. Supply Costs:

i. Power procurement cost
ii. Distribution Cost attributable to Retail Supply Business (As per clause 5 & 11.1)
iii. Interest on Consumer Security Deposits
iv. Supply Margin in Retail Supply Business
v. Corrections for controllable and uncontrollable items
vi. Provision for bad debts
vii. Any other relevant expenditure as admissible
viii. [14]Working Capital requirement for the year shall be considered as being equal to One and a half months (45 day s) of expected PP cost for the ensuing year plus 60 days of average FPPCA amount of the current year, Minus Amount held as security deposit from retail supply consumers as of 31 st March of the current year.

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[12] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024
[13] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024
[14] Sixth Amendment vide Regulation No. 2 of 2024 dated 09-02-2024

12. **Cost of power procurement**

12.1. The Distribution Licensee shall be allowed to recover the cost of power it procures, including from State generators, independent power producers, Central generating stations, non-conventional energy generators, and others, for supply to consumers, based on the Commission-approved Power Procurement Plan of the Distribution Licensee covering each year of the Control Period:

Provided that where the procurement is for sale to consumers permitted open access by the Nodal Agency under the Open Access Regulation or purchase for trading, the Distribution Licensee shall provide an Allocation Statement as referred to in clause 5 clearly specifying the costs that are attributable to the sales made to such consumers, utilities, etc.

12.2. Except in the case of Retail Supply Business insofar as for the first Control Period is concerned:

(a) The Commission shall adopt the Sales Forecast, the Distribution loss trajectory and the Power Procurement Plan approved as part of the Resource Plan for the purpose of determining the Power Purchase Requirement of the Distribution Licensee for the Control Period;

(b) The power procurement plan will not generally require any revisions during the Control Period, and the Commission-approved category-wise power procurement forecast shall be applied for estimating the Distribution Licensees' power procurement requirement for each year of the Control Period;

(c) While approving the cost of power procurement, the Commission shall determine the quantum of electricity to be procured, consistent with the power procurement plan, from various sources of supply, in accordance with the principle of merit order schedule and dispatch, based on a ranking of all approved sources of supply in the order of variable cost or price.

12.3. For the Retail Supply Business of the Distribution Licensee for the first Control Period, the provisions of clause 12.2 shall apply *mutatis mutandis*, on an annual basis.

12.4. "[15]The Distribution Licensee shall be entitled to recover from or refund to the consumers, as the case may be, the FPPCA (Fuel and Power Purchase Cost Adjustment) according to the formula and other conditions specified in this regulation on monthly basis automatically from time to time and such monthly automatic adjustment shall be trued up on an annual basis by the commission".

12.5. [16] **FPPCA (Fuel and Power Purchase Cost Adjustment)**

The formula for FPPCA as under

FPPCA = (APPC-BPPC)xPPQ / S

Where,

FPPCA = Fuel & Power Purchase Cost Adjustment in Rs/unit up to 4 decimal places.

APPC = The actual weighted average power purchase cost per unit of energy, which shall be arrived at as the actual total power purchase cost (including the transmission & scheduling costs) in Rs. Million for the month for which the Distribution Licensee is recovering/refunding **'FPPCA',** divided by the actual quantum of power purchases in Million Units made by the Distribution Licensee from the sources approved by the Commission for that month.

BPPC = The base weighted average power purchase cost per unit of energy, which shall be arrived at as the total power purchase cost approved by the Commission in Rs. Million (including the transmission & scheduling costs) in the RSTO (Retail Supply Tariff Order) for the month for which the Distribution Licensee is recovering/refunding **'FPPCA',** divided by the total quantum of energy in Million Units approved by the Commission in the RSTO for the Distribution Licensee for that month.

PPQ = The power purchase quantum in Million Units for the month for which the Distribution Licensee is recovering/refunding **'FPPCA'**. It shall be the lower of the actual quantum of power purchase in Million Units, or the actual sales in Million Units grossed by the Transmission and Distribution losses. The Transmission and Distribution losses to be considered for the above shall be the lower of the actual losses (for that month) or the Commission-approved losses (for that year).

[15] Fourth Amendment vide Regulation No. 2 of 2023 dated 29-03-2023
[16] Eight Amendment vide Regulation No. 1 of 2026 dated 23-03-2026

S = Actual Sales in Million Units by the Distribution Licensee for the month for which the Distribution Licensee is recovering/refunding **'FPPCA'.**

Manner of recovery or refund of FPPCA by the Distribution Licensee and conditions:

A. The FPPCA, computed as per the above formula for every month, shall be automatically recovered from or refunded to consumers by the Distribution Licensee, as the case may be.

   Explanation: FPPCA shall be computed and shown in the CC bills by the Distribution Licensee, in the (n+3)th month, on the basis of actual variations in the costs of fuel and power purchase, Transmission and Scheduling for the power procured during the nth month.

   For example, the FPPCA, on account of variations in the above costs for power supplied during the month of April in any financial year, shall be computed and shown in the July CC bills of the same financial year.

   The Distribution Licensee shall pass through the FPPCA uniformly across all categories of consumers existing in that month, based on their consumption(kWh/kVAh).

B. In case the Distribution Licensee fails to compute and raise the FPPCA that is due to it in the CC bills as per the timeline specified above, except in case of any force majeure event, its right to recover the same for that month shall be forfeited, and, also that amount will not be considered by the Commission while issuing the FPPCA true-up/down order after the end of the financial year. However, if the failure occurs in cases involving FPPCA refunds to consumers, the Commission will consider these amounts while issuing the FPPCA true-up/down order after the end of the financial year.

C. The Distribution company shall submit the monthly details to the Commission as per the format specified in this Regulation including the details of actual category-wise sales vis-a-vis approvals, and source-wise despatches & costs vis-a-vis approvals with a detailed explanation, availability and PLF of each source, market purchases from various exchanges with detailed break up of segments (RTC, morning peak, evening peaks and night), purchases from Deep e- bidding portal and swapping, etc, PoC charges break up for scheduled CGS, other market purchases, the past claims of sources with details, if any, backing down of thermal sources on account of RE and other reasons, if any, loss percentages, etc., by the end of the month during which FPPCA recoveries/refunds are shown in CC bills (for the 'n' th month variations, by the end of (n+2) month). The reports submitted to the Commission shall also be made available on the Distribution Licensee's website under the FPPCA heading in the Regulatory Compliance tab. The final true-up/down of the FPPCA for the financial year shall also be submitted in the same format, along with the details mentioned above.

D. The Distribution Licensee shall submit the details of the true-up/down of FPPCA for the nth financial year as part of the ARR for the Retail Supply Business for the (n+2) financial year, if the filings are done on an annual basis. The Commission will then determine the true-up/down of the FPPCA amount and include it in the ARR of the Retail Supply Business. If the filings for Retail Supply Business are made for the entire control period, the Commission will then determine the true-up/down FPPCA amount in separate proceedings, either based on a petition filed by the Distribution Licensee or on a suo-motu basis and allow it to be passed through to the consumers in the manner as specified in those proceedings.

E. The Commission will allow the pass-through of financing costs arising from the time gap between the date the FPPCA true-up/down amount becomes due and the date it is actually allowed in the FPPCA true-up/down order.

F. The Distribution Licensee shall raise the FPPCA bills on the Government in respect of the consumers who are provided 100 percent tariff subsidies under Section 65 of the Electricity Act, 2003. The subsidy true-up/down due to variations in sales of agricultural consumers under the free power category will be determined by the Commission during the FPPCA true-up/down after the end of the financial year.

G. The Distribution Licensee shall place on its website the details of the FPPCA computed each month at least one week before the FPPCA amounts are shown in the monthly CC bills of consumers, for public information and wider public reach.

H. To ensure smooth implementation of the FPPCA mechanism and its recovery/refund as per this Regulation, the Distribution Licensee shall ensure that its billing and power procurement software and systems are updated.

12.6. [17]Provision for bad debts

Bad and doubtful debts in the ARR shall be allowed based on the actual written off bad debts in the past 5 years as per the audited financial statements to the extent the Commission considers them appropriate subject to a ceiling limit of 1% of the yearly revenue at the discretion of the Commission:

Provided that, the cumulative bad debts shall not exceed 3 per cent of the yearly revenue for the ARR under consideration.

Provided further that subsequent to the write-off of a particular bad debt, if revenue is realised from such a bad debt, the same shall be included as income under the Non-Tariff Income of that year."

13. **Transmission and load dispatch charges**

13.1. The Distribution Licensee shall be allowed to recover transmission and load despatch charges payable to the Transmission Licensees (Central Transmission Utility, State Transmission Utility etc.) and System Operators (Regional Load Despatch Centre, State Load Despatch Centre etc.) for access to and use of the inter-state transmission system, intra-state transmission system and availing load dispatch services on long-term basis in accordance with the tariffs approved from time to time by CERC and this Commission, as the case may be.

13.2. The Distribution Licensee shall also be allowed to recover the expenses, at the approved level, pertaining to (a) use of transmission and load dispatch facilities under short-term procurement of power for the Retail Supply Business; and (b) wheeling charges for use of the distribution system of other Distribution Licensee for procurement of power for the Retail Supply Business.

14. **Operation and Maintenance Costs**

14.1. Operation and Maintenance (O&M) costs shall comprise the following:

a. Salaries, wages and other employee costs;

b. Administrative and General costs;

[17] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

c. Repairs and maintenance, and
d. Other miscellaneous expenses, like legal charges, audit fees, lease charges, rent, rates and taxes, etc.

14.2. The Distribution Licensee in its filings for the Control Period shall submit the consolidated O&M expenses for the Base Year of the Control Period, and two years preceding the Base Year. The O&M expenses for the Base Year shall be determined based on latest audited accounts, best estimates of Distribution Licensee of actual O&M expenses for relevant years and other factors considered relevant. The O&M expenses for the Base Year, if required, will be used for projecting the expenses for each year of the Control Period.

14.3. The composite O&M expenses permissible towards revenue requirement for each year of the Control Period shall be determined , by using pre-determined norms or formulae for this purpose. These norms or formulae shall be determined by the Commission based on Distribution Licensee's submissions in this regard, previous years' actual expenses and any other factors considered relevant by the Commission.

15. **Return on Capital Employed**

15.1. Return on Capital Employed (RoCE) for the RRB for the year 'i' shall be computed in the following manner:

$$RoCE = WACC * RRB_i$$

Where,

WACC is the Weighted Average Cost of Capital as fixed by the Commission for the Control period and expressed in terms of percentage;

RRB is the Regulated Rate Base (the asset base) approved by the Commission for each year of the Control period on which the Distribution Licensee shall be entitled to earn a return based on the Commission approved Weighted Average Cost of Capital (WACC).

i: i^{th} year of the Control Period, i = 1, 2, 3 for the first Control Period

- The WACC shall be computed in the following manner:

$$WACC_{RRB} = \left[\frac{D/E}{1+D/E}\right] \; r_d + \left[\frac{1}{1+D/E}\right] \; r_e$$

Where,

D/E is the Debt to Equity Ratio and shall be determined at the beginning of the Control Period after considering Distribution Licensee's proposal, previous years' D/E mix, market conditions and other relevant factors

r_d is the Cost of Debt and shall be determined at the beginning of the Control Period after considering Distribution Licensee's proposals, present cost of debt, market conditions and other relevant factors.

r_e is the Return on Equity and shall be determined at the beginning of the Control Period after considering CERC norms, Distribution Licensee's proposals, previous years' D/E mix, risks associated with distribution & supply business, market conditions and other relevant factors

The Weighted Average Cost of Capital as determined above shall remain unchanged during the Control Period

- The Regulated Rate Base (RRB) for the purposes of computing the RoCE for a year of the Control Period will be computed in the following manner.

$RRB_i = RRB_{i-1} + \Delta RAB_i + WC_i$

Where,

RRB_i : Regulated Rate Base for the i^{th} year of the Control period

ΔRAB_i: Change in the Rate Base in the i^{th} year of the Control Period. This component would be the average of the value at the beginning and end of the year as the asset creation is spread across a year and is arrived at as follows:

$\Delta RAB_i = (Inv_i – D_i – CC_i)/2$

Where,

Inv_i: Investments projected to be capitalised during the i^{th} year of the Control Period and approved.

D_i: Amount set aside or written off on account of Depreciation of fixed assets for the i^{th} year of the Control Period.

CC_i: User Contributions pertaining to the ΔRAB_i and capital grants/subsidies received during i^{th} year of the Control Period for construction of service lines or creation of fixed assets.

RRB_{i-1}: Regulated Rate Base for the financial year preceding the i^{th} year of the Control period and shall be determined on the basis of approved Capital Investment Plan referred to in clause 16.1 of this Regulation. For the first year of the Control Period, RRB_{i-1} will be the Regulated Rate Base for the Base Year i.e. RRB_O. The values for the Base Year will be determined based on the latest audited accounts available, best estimates of the actuals pertaining to the relevant years and any other factors considered relevant by the Commission.

$RRB_O = OCFA_O - AD_O - CC_O$,

where

$OCFA_O$: Original Cost of Fixed Assets at the end of the Base Year available for use and necessary for the purpose of the licensed business

AD_O: Amounts written off or set aside on account of depreciation and advance against depreciation if any, of fixed assets pertaining to the regulated business at the end of the Base Year

CC_O: Total contributions pertaining to the OCFAo, made by the users towards the cost of construction of distribution/service lines by the Distribution Licensee and also includes the capital grants/subsidies received for this purpose.

- [18]WC_i: working capital requirement in the i^{th} year of the Control Period, and shall be considered as being equal to 60 days of O&M for Distribution Business plus Maintenance spares @1% of opening Gross Fixed Assets (GFA) as allowed for that year."

[18] Sixth Amendment vide Regulation No. 2 of 2024 dated 09-02-2024

16. **Investment Plan**

16.1. The Commission shall adopt the Capital Investment Plan approved as part of the Resource Plan in terms of clause 9 of this Regulation for the purpose of determining the Regulated Rate Base (RRB) at the commencement of the Control Period:

Provided that for the first Control Period, the Distribution Licensee shall file its Capital Investment Plan for the Control Period as part of its Multi-Year Filings for Commission's approval.

16.2. The Distribution Licensee shall seek approval for individual schemes in the Capital Investment Plan at least 90 days before undertaking the investment in accordance with the Guidelines on Investment Approval. The individual schemes/ projects submitted by the Distribution Licensee for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of the Control Period.

16.3. The Commission may provide corrections in the ARR of the Distribution Licensee for subsequent years of the Control Period to the extent of deviation from the investments approved as part of the Capital Investment Plan. The Distribution Licensee shall justify the deviations beyond 10 percent for each individual scheme/project and any other material deviations from the Capital Investment Plan including introduction of, or substitution of existing schemes / projects by, new scheme/project (s).

17. **Depreciation**

17.1. Depreciation shall be computed in the following manner:

17.2. For each year of the Control Period, depreciation shall be calculated on the amount of Original Cost of the Fixed Assets included in the RRB at the beginning of each year of the Control Period:

Provided that depreciation on assets funded by consumer /user contributions or through any capital subsidy/grant etc shall not be allowed in the revenue requirement of the Distribution Licensee.

17.3. Depreciation allowance for each year of the Control Period shall be determined, generally based on the methodology, rates and other terms as decided by CERC from time to time.

17.4. Depreciation shall be charged from the 1st April of the following year from the date the asset is put to use.

18. **Taxes on Income:**

18.1. Taxes on Income, if any, on the income stream of the licensed business of the Distribution Licensee shall be treated as an expense and shall be recoverable through ARR.

18.2. Taxes on Income actually payable and paid shall be included in the ARR, limited, however, to tax on Return on Equity component of the Return on Capital Employed, and excluding tax on profit, if any, in excess of such return (arising out of any reason, including efficiency of the Distribution Licensee or any explicit incentive provided in the ARR), penalties, interest on delayed payment of tax, etc. , and duly adjusted for any refunds, etc. received for the previous periods.

19. **CORRECTIONS FOR "UNCONTROLLABLE" ITEMS AND "CONTROLLABLE" ITEMS AND SHARING OF GAINS/LOSSES OF "CONTROLLABLE" ITEMS**

The Distribution Licensee shall file its proposals for pass-through as well as sharing of gains/losses on variations in "uncontrollable" items of ARR and "controllable" items (indexed to external parameters) in accordance with clause 10 of this Regulation.

20. [19]**"20. Determination of full cost tariffs and subsidy*:***

20.1. The Commission shall determine full cost tariffs for Distribution and Retail Supply Businesses to enable the Distribution Licensee to recover the ARR approved by the Commission based on the application made by it in accordance with the principles laid down in this Regulation.

[19] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

[20]"Provided that the Distribution/Wheeling charges shall be exempted for such Clean Energy Projects & RE Manufacturing Projects availing Open Access under APERC Regulation No. 3 of 2024, and commissioned (or) achieved Financial Closure (FC) during the operative period (Projects commissioned within the timelines as specified in the approvals), and for the exemption period as mentioned in GO.Ms.No.37, dated 30.10.2024, if injection and drawal of power is at the same voltage level within the State irrespective of DISCOM boundaries. The DISCOMs shall claim such exempted charges from the State Government along with the subsidy claims under Section 65 of the Electricity Act, 2003."

"Provided further that the Electric Vehicles/Charging Stations shall have Time-of-Day (ToD) and Dynamic tariff mechanisms specifically for Charge Point Operators (CPOs) as determined by APERC in the Retail Supply Tariff Orders every year."

20.2. Subsidy

(a) The Commission shall determine the ARR and Tariff without considering subsidy.

Provided further that in case the State Government declares subsidy in advance or during tariff filing proceedings and the Distribution Licensee incorporates the subsidy in the petition, the Commission shall notify two tariff schedules, one with subsidy and the other without subsidy (full cost tariffs):

Provided also that the subsidy provided or declared by the Government shall be supported by documentary evidence of time schedule of payment, mode of the payment of the subsidy and the break up of the subsidy amount into different subsidized consumer categories:

(b) The Commission shall state in the tariff order, post the declaration from the Government, the quantum of Government's subsidy applicable to the consumers category wise, mode of payment and schedule of payment, etc.

(c) In case of no disbursement or delayed disbursement of subsidy by the Government, the Distribution Licensee shall charge consumers as per the full cost tariff schedule approved by the Commission, without considering the subsidy.

[20] Seventh Amendment vide Regulation No. 9 of 2025 dated 08-12-2025

(d) The Distribution Licensee(s) shall submit to the Commission on a quarterly basis the information on subsidy due, subsidy overdue, and subsidy realized based on actual energy supplied to the subsidized categories of consumers. The report on subsidy status shall be hosted on the Distribution Licensee's website."

PART – IV
MISCELLANEOUS

21. **Periodic reviews**

To ensure smooth implementation of the Multi-Year Tariff (MYT) Framework, the Commission may undertake periodic reviews of Distribution Licensees' performance during the Control Period, to address any practical issues, concerns or unexpected outcomes that may arise, and in general to assess the efficacy of Multi Year Tariff Principles.

22. **End-of-Control-Period review**

22.1. Towards the end of the Control Period, the Commission will seek to review if the implementation of the principles laid down in this Regulation has achieved its intended objectives. While doing so, the Commission will take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and Distribution Licensee requirements at that point in time. Depending on the requirements of the sector and to meet the objects of the Act, the Commission may revise the principles for the subsequent Control Period(s).

22.2. The end-of-the-first Control Period shall be the beginning for the second Control Period and the Distribution Licensee shall follow the same procedure as specified unless required otherwise by the Commission through appropriate orders /directions. The Commission shall analyse the performance of the Distribution Licensee with respect to the targets set out at the beginning of the second and the each subsequent Control Period and based on the actual performance, expected efficiency improvements and other relevant factors, prevalent, determine the initial values for the next Control Period.

23. **Power to amend**

The Commission may, at any time add, vary, alter, modify, delete or amend any provisions of this Regulation.

24. **Saving**

24.1. Nothing in this Regulation shall be deemed to limit or otherwise affect the power of the Commission to make such orders as may be necessary to meet the ends of justice or to prevent abuse of the process of the Commission.

24.2. Nothing in this Regulation shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, at variance with any of the provisions of this Regulation, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.

24.3. Nothing in this Regulation shall, expressly or by implication, bar the Commission from dealing with any matter or exercising any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, exercise such powers and discharge such functions in a manner it deems fit.

25. **[21]Issue of orders and practice directions:**
Subject to the provisions of the Electricity Act, 2003 and this Regulation, the Commission may, from time to time, issue orders and practice directions about the implementation of the Regulation and procedure to be followed and various matters which the Commission has been empowered by this Regulation to specify or direct.

[21] Fifth Amendment vide Regulation No. 1 of 2024 dated 09-02-2024

26. **Power to Remove difficulties:**

If any difficulty arises in giving effect to any of the provisions of this Regulation, the Commission may, by a general or special order, do or undertake or direct the Licensees to do or undertake things which in the opinion of the Commission are necessary or expedient for removing the difficulties.

27. **Power to Relax**

The Commission may, by general or special order, for reasons to be recorded in writing and after giving an opportunity of hearing to the parties likely to be affected, relax or waive any of the provisions of these Regulations on its own motion or on an application made to it by any interested person.

(BY ORDER OF THE COMMISSION)

(S.SURYA PRAKASA RAO)
SECRETARY

FORMAT

S.No.	Generating Station / Stage/Source	Plant Capacity (MW)	Discom's Share (%)	Energy(MU)			Cost Components (Rs. Millions)																		Reasons for Variance
				TO (a)	Actual (b)	Variance (c)= (b-a)	Fixed (A)			Variable (B)			Incentive (C)			Income Tax (D)			Others (E)			Total F=(A+B+C+D+E)			
							TO (d)	Actual (e)	Variance (f)= (e-d)	TO (g)	Actual (h)	Variance (i)= (h-g)	TO (j)	Actual (k)	Variance (l)=(k-j)	TO (m)	Actual (n)	Variance (o)= (n-m)	TO (p)	Actual (q)	Variance (r)= (q-p)	TO (s)	Actual (t)	Variance (u)= (t-s)	
1	X																								
2	Y																								
3	Z																								
-	Transmission Cost																								
-	LDC Costs																								
	Past claims/ refunds, if any, pertaining to the month(s) prior to the month for which FPPCA is being recovered																								
-	Total																								